

Message Text

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ACTION SS-25

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INFO AMEMBASSY ABU DHABI
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USINT BAGHDAD
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

C O N F I D E N T I A L DOHA 0378

EXDIS

E.O. 11652: GDS
TAGS: ENRG, OPEC, QA
SUBJECT: QATARI OIL MINISTER ON CURRENT OPEC SITUATION

1. FORMER AMB JAMES AKINS, WHO WAS VISITING QATAR ON PRIVATE BUSINESS, HAS BRIEFED US ON HIS MARCH 22 CONVERSATION ABOUT CURRENT OPEC SITUATION WITH QATARI OIL MINISTER AND
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CURRENT OPEC PRESIDENT SHAYKH ABDUL AZIZ BIN KHALIFA AL THANI.

2. ACCORDING AKINS, ABDUL AZIZ TOLD HIM THAT THE ELEVEN HAD REJECTED SAUDI-PROPOSED MEETING IN MAY TO DISCUSS TWO-TIER PRICE SITUATION, SINCE TIMING TOO LATE TO ACCOMPLISH ANYTHING BEFORE SCHEDULED JULY MINISTERIAL. FROM WHAT

ABDUL AZIZ SAID, IT APPEARS THAT THE TWO AND THE ELEVEN WERE HOLDING FIRMLY TO THEIR KNOWN POSITIONS EVEN THOUGH THERE HAD BEEN SOME TALK OF COMPROMISE AROUND AN 8 PERCENT PRICE HIKE.

3. ABDUL AZIZ SAID THAT IF ELEVEN SUFFERED PRODUCTION LOSSES IN SECOND QUARTER BECAUSE OF TWO-TIER PRICING THEY WERE PREPARED TO INCREASE PRICES AS OF JULY 1 BEYOND ALREADY AGREED FIVE PERCENT TO COMPENSATE. ACCORDING AKINS, ABDUL AZIZ SAID ADDITIONAL INCREASE COULD GO AS HIGH AS 20 PERCENT, DEPENDING OF COURSE ON WHAT HAPPENED DURING SECOND QUARTER.

4. RE DRAMATIC EXPANSION IN SAUDI PRODUCTION, ABDUL AZIZ REITERATED WHAT HE HAS TOLD US ON SEVERAL OCCASIONS, I.E. HE DID NOT BELIEVE SAUDIS WISHED OR WERE TECHNICALLY ABLE TO EXPAND THEIR PRODUCTION TO PROPORTIONS THAT WOULD DAMAGE OTHER OPEC MEMBERS; HOWEVER, SHOULD THEY DO THIS, IT WOULD BE A WHOLE NEW BALLGAME AND A MOST SERIOUS SITUATION. IN ANY EVENT, ABDUL AZIZ CLAIMED THAT THE MOST VULNERABLE COUNTRIES, I.E. IRAN, IRAQ, VENEZUELA AND KUWAIT, HAD ALREADY AGREED ON PRO-RATED PRODUCTION CUTS TO MEET POSSIBILITY OF SAUDI EXPANSION.

5. ACCORDING AKINS, ABDUL AZIZ DIRECTLY TIED OIL PRICE SITUATION TO US-CATALYZED PROGRESS ON MID EAST SETTLEMENT (READ US PRESSURE ON ISRAEL). ABDUL AZIZ INDICATED THAT IF US PERFORMED WELL, GOQ AT LEAST WOULD BE WILLING TO FOREGO SIGNIFICANT PRICE INCREASE AND WOULD BE SATISFIED WITH AS LITTLE AS THREE PERCENT. AKINS SAID HE POINTED

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OUT THAT PRESIDENT'S RECENT STATEMENTS WERE DRAMATIC EVIDENCE OF US INTENTION TO MOVE ON MID EAST SETTLEMENT, BUT CAUTIONED ABOUT LINKING OIL PRICES TO MID EAST PEACE.

6. WE HAVE LEARNED SEPARATELY THAT VENEZUELAN PRESIDENT PEREZ WILL BE VISITING AREA IN APRIL AND WILL BE IN QATAR ON APRIL 21. VISIT APPARENTLY WAS SCHEDULED FOR FEBRUARY BUT POSTPONED BECAUSE OF ILLNESS OF KING KHALID OF SAUDI ARABIA.
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